

FOOD FAIR STORES, INC.

SELF SERVICE
FOOD DEPARTMENT STORES



MAIN OFFICE & WAREHOUSE
2223 E. ALLEGHENY AVE., PHILA. 34, PA.

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

To Our Stockholders:

At their annual meeting on April 19, 1949, stockholders of your Company voted to adopt, effective in 1949, a fiscal year ending on the Saturday nearest April 30 in each year. The change is designed to improve operating efficiency. The current fiscal year which commenced on May 1, 1949, will end on April 29, 1950.

The report herewith submitted is for the seventeen weeks ended April 30, 1949, which is the period falling between the end of our 1948 fiscal year and the beginning of our current, new 1949-50 fiscal year. Because of a difference in reporting weekly periods it is impracticable to provide comparative statistics for the interim, seventeen-week period. Interim reports roughly at quarterly intervals will continue to be published by the Company, the first such report covering the twelve-week period ending July 23, 1949.

It is encouraging to report that your Company established in the seventeen weeks ended April 30, 1949, new high records in almost all phases of the business. We succeeded in surpassing previous records for the number of supermarkets operated; the geographic diversification of marketing areas; the number of Food Fair supermarket patrons, the physical and dollar volume of business, wages and salaries, and dividends paid to stockholders.

Your Company's sales for the seventeen weeks ended April 30, 1949, were \$50,307,556. Net income after all charges and taxes amounted to \$1,032,629. This is equal after dividend requirements on the \$2.50 cumulative preferred stock to 54 cents per share on 1,845,456 shares of common stock outstanding on April 30.

Our net income per dollar of sales for the seventeen-week period was approximately 2.05 cents, compared with 1.92 cents for the entire fiscal year (53 weeks) ended December 31, 1948. This improvement in profit margin was made possible by further decline in food prices and by operating economies effected.

Working capital of your Company as of April 30, 1949, amounted to \$9,548,973. Cash on hand and in banks totalled \$6,359,563, compared with \$5,250,874 on December 31, 1948. Inventories stood at \$8,014,301, as against \$9,684,200 on December 31, 1948. Long term indebtedness was reduced in the amount of \$557,486, to \$4,786,200, during the seventeen-week period.

The reduction effected in inventories during the seventeen weeks is particularly gratifying in view of the further expansion of our chain of supermarkets. The construction of three new units . . . two in Miami, Fla., and one in York, Pa. . . . was completed; and three older units were remodelled.

Expansion of the chain has continued since the beginning of the Company's current fiscal year. A Food Fair unit was opened in Lancaster, Pa., on May 18, and still another link was added with the opening on June 29 of a supermarket in Miami, Fla. These brought to 110 the number of our modern, self-service markets. The remodelling of a unit in Montclair, N. J., was completed on May 24, and a remodelled store in Philadelphia, Pa., was opened on June 7.

Six Food Fair supermarkets are now under construction, in Miami, Fla., York, Pa., Morristown, N. J., and Fresh Meadows and Freeport, N. Y., and are scheduled for opening before December 31, 1949. Construction of other markets will be commenced in months ahead on sites now owned in Pennsylvania and New Jersey. The remodeling of certain older units will be undertaken, also.

The directors of your Company on May 18, 1949, declared for payment on June 15, an extra dividend of five cents per share in cash on the common stock, in addition to the regular quarterly dividend of ten cents per share. Latitude for declaring additional extra payments or for increasing the regular annual dividend rate of 40 cents per share will be conditioned by future operating results.

Our dollar sales are continuing to run well ahead of those of a year ago and the physical volume of business is showing even greater gains. Current prospects for the retail food business in general and for Food Fair in particular are promising. Although the bloom is off the general business boom, national income remains high, and record-breaking individual savings reasonably assure a continued high level of retail sales. Reassuring also is the continuing growth of population and of large suburban residential communities in which supermarket operation thrives; likewise, the decline in food prices which permit higher dietary standards. In addition, increased food supplies and lowered prices reduce the retail food merchant's investment in inventories, shorten forward commitments, accelerate inventory turnover and thus contribute to increased efficiency of supermarket operation.

Sincerely,

A handwritten signature in dark ink, appearing to read 'George Friedland'. The signature is fluid and cursive.

GEORGE FRIEDLAND,
President.

Philadelphia, Pa.
July 18, 1949



CONSOLIDATED STATEMENT OF FINANCIAL

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits.....	\$ 6,359,563.39
Obligations of the United States, at cost.....	1,240.00
Accounts receivable	623,409.03
Inventories, at cost or market, whichever lower:	
Merchandise in warehouses.....	\$4,604,974.10
Merchandise in stores.....	2,924,549.86
Merchandise in transit.....	361,412.87
Store supplies.....	123,364.65
	<u>8,014,301.48</u>
Total current assets.....	\$14,998,513.90

OTHER INVESTMENTS, AT COST.....	103,530.51
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FIXED ASSETS, AT COST:

Land.....	\$1,837,332.62
Buildings.....	\$3,977,942.27
Improvements to leased buildings.....	1,630,249.49
Fixtures and equipment.....	4,254,744.15
Automobiles and trucks.....	115,537.08
Total depreciable assets.....	<u>\$9,978,472.99</u>
Less: Reserves for depreciation and amortization.....	2,748,239.95
	<u>7,230,233.04</u>
Net fixed assets.....	9,067,565.66

PREPAID AND DEFERRED ACCOUNTS.....	681,389.50
DEPOSITS WITH LANDLORDS, PUBLIC UTILITIES, ETC.....	32,382.50
CASH SURRENDER VALUE OF INSURANCE ON LIFE OF OFFICER.....	53,565.00

Total assets.....	<u><u>\$24,936,947.07</u></u>
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The Notes appearing on page 4 are an integral part of the Consolidated



CONDITION — APRIL 30, 1949

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts payable, trade.....	\$ 2,285,628.49
Mortgage installments due within one year (\$33,544.61 not assumed).....	55,089.66
Debenture sinking fund payments due within one year (Notes 1 and 2).....	162,300.00
Accrued liabilities:	
Salaries and wages.....	\$ 561,319.09
Interest on debentures.....	24,543.75
Miscellaneous	139,035.33
	724,898.17
Social security and withholding taxes payable.....	146,841.00
Federal and State income taxes payable.....	2,074,783.72
	724,898.17
Total current liabilities.....	\$ 5,449,541.04

LONG-TERM LIABILITIES:

Notes payable, 3 per cent due May 10, 1950.....	\$1,000,000.00
Mortgages payable, due after one year (\$1,007,601.97 not assumed).....	1,141,200.58
Fifteen year sinking fund debentures, 3½ percent due February 1, 1959, net of \$160,000.00 principal amount of debentures to be retired through sinking fund included in current liabilities (Notes 1 and 2).....	2,645,000.00
	4,786,200.58
Total long-term liabilities.....	4,786,200.58
Total liabilities.....	\$10,235,741.62

CAPITAL:

Capital Stock:

Cumulative preferred, par \$15.00, authorized 193,815 shares (specific preferences determinable upon approvals of issues) of which 48,815 shares were issued; outstanding 42,080 shares; dividend \$2.50 annually; redeemable at \$53.00 per share; entitled to \$50.00 per share in involuntary liquidation (Note 3)	\$ 631,200.00
Common, par \$1.00, authorized 2,500,000 shares; issued 1,845,456 6/20 shares (including scrip certificates) (Note 4).....	1,845,456.30

Surplus:

Capital surplus	5,395,116.75
Earned surplus:	
Appropriated for retirement of preferred stock.....	\$ 652,572.63
Unappropriated	6,176,859.77
	6,829,432.40

Total capital	14,701,205.45
Total liabilities and capital.....	\$24,936,947.07



NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

APRIL 30, 1949

Note 1. The Corporation covenants in the indenture that it will pay to the trustee on each June 15 and December 15, as a sinking fund for the redemption of debentures, a sum in cash in each instance sufficient to redeem on the next succeeding interest payment date at the sinking fund redemption price then in effect the following principal amounts of debentures: to and including December 15, 1949, \$80,000.00; thereafter, to and including December 15, 1951, \$90,000.00; thereafter, to and including December 15, 1952, \$100,000.00; and thereafter, to and including June 15, 1958, \$110,000.00. The indenture provides that the Corporation may deliver to the trustee debentures in lieu of cash.

Note 2. The Corporation covenants in the indenture that it will not declare or pay or set aside any dividends (other than dividends payable in shares of capital stock of the Corporation) on any of its capital stock of any class or purchase, redeem or otherwise retire any shares of its capital stock of any class or make any other distribution (except in shares of its capital stock) in respect thereof, or permit any subsidiary to purchase such capital stock, unless immediately thereafter and after giving effect thereto:

- (1) The aggregate amount of dividends declared and paid or payable on capital stock of the Corporation subsequent to December 31, 1943 (exclusive of dividends paid or payable in shares of capital stock of the Corporation) plus the aggregate amount used for such purchases, redemptions, retirements, or any other distributions subsequent to December 31, 1943, shall not exceed the sum of (a) consolidated net income subsequent to December 31, 1943, plus (b) \$350,000.00; and
- (2) Consolidated net current assets shall be at least equal to 150% of consolidated funded indebtedness.

Note 3. In accordance with the resolution of the Board of Directors in connection with the issuance of the \$2.50 cumulative preferred stock, the Corporation shall not declare, set apart or pay dividends:

- (1) Upon common stock:
 - (a) Until all dividends have been paid on preferred stock.
 - (b) If the payment of such dividends on common stock would reduce the ratio of consolidated current assets to consolidated current liabilities to less than 1 ½ to 1, or so long as the ratio of consolidated current assets to consolidated current liabilities shall be less than 1 ½ to 1.
 - (c) If the Corporation shall be in default in making any sinking fund or purchase fund payments required for the redemption or purchase of any preferred stock.
 - (d) Out of any capital or surplus accounts, including earned surplus, as said accounts appeared on the books of the Corporation and its subsidiaries, as at December 31, 1939, except that the earned surplus account thus restricted at that date may be reduced by (a) any sum transferred from earned surplus to capital surplus in connection with the redemption or purchase and retirement of the Corporation's \$1.37 ½ cumulative convertible preferred stock (since redeemed) and (b) the excess, if any, paid on the redemption or acquisition and retirement of each share of \$2.50 cumulative preferred stock over the gross proceeds from the sale of each share of said stock (less only underwriting discounts and commissions) and to be charged to earned surplus. The amount of earned surplus thus restricted from the payment of dividends at April 30, 1949 was \$540,062.47.
- (2) Upon any class of stock, so long as any of said preferred stock is outstanding:

Out of that portion of capital surplus which represents the excess of the gross proceeds from the sale of each share of said preferred stock (less only underwriting discounts and commissions) over and above its par value.

Note 4. Options granted to certain employees and officers of the Corporation are outstanding to purchase before September 4, 1950, 80,088 shares of common stock at \$4.87 ½ per share. In connection therewith, 12,623 8/20 shares of common stock are reserved for issuance as stock dividends upon exercise of these options.

Of the options originally issued to employees and officers, 79,912 were exercised during the years 1946, 1947, 1948, and the seventeen weeks ended April 30, 1949.

The Company has been advised by counsel that these options were not compensation to the employees, and that, therefore, neither the value of said options when issued, nor the difference between the option price and the market value of the underlying stock on their exercise, was taxable to the individuals as compensation or deductible by the Company as an expense.

In the event the Treasury Department does not acquiesce in this view, the Company, to protect its position with respect to the deduction by reason of options exercised during the years 1946, 1947, 1948 and the seventeen weeks ended April 30, 1949, intends to file amended Federal Income Tax returns prior to the effective date of the applicable Statute of Limitations, claiming appropriate deductions from its taxable income as originally reported. The amounts of tax refunds resulting from such amended returns would be approximately \$190,000.00 for 1946, \$40,000.00 for 1947, \$64,000.00 for 1948, and \$10,000.00 for the seventeen weeks ended April 30, 1949.



CONSOLIDATED STATEMENT OF CAPITAL SURPLUS
FOR THE SEVENTEEN WEEKS ENDED APRIL 30, 1949

CAPITAL SURPLUS, DECEMBER 31, 1948.....		\$5,391,099.85
ADDITIONS:		
Excess over par value of proceeds received from issuance of 2,320 shares of common stock through exercise of stock options by employees.....	\$8,990.00	
Excess over par value of proceeds received from issuance of 1 7/20 shares to consolidate scrip twentieths.....		12.15
Excess over amount assignable to capital stock of 365 11/20 shares of common stock issued as a stock dividend upon exercise of employees' options.....	3,759.75	12,761.90
Total.....		<u>\$5,403,861.75</u>
DEDUCTIONS:		
Excess of cost of 265 shares of cumulative preferred stock redeemed over par value.....		8,745.00
CAPITAL SURPLUS, APRIL 30, 1949.....		<u><u>\$5,395,116.75</u></u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS
FOR THE SEVENTEEN WEEKS ENDED APRIL 30, 1949

EARNED SURPLUS, DECEMBER 31, 1948.....		\$6,010,176.18
ADDITIONS:		
Net income for the seventeen weeks ended April 30, 1949.....		1,032,629.42
Adjustments applicable to prior years.....		1,754.17
Total.....		<u>\$7,044,559.77</u>
DEDUCTIONS:		
Excess cost of 215 shares of cumulative preferred stock redeemed over proceeds received at issuance thereof.....	\$ 268.75	
Dividends paid:		
In stock:		
365 11/20 shares of common stock.....		4,125.30
In cash:		
Common stock, \$.10 per share.....	\$184,297.90	
Cumulative preferred stock, \$.625 per share.....	26,435.42	210,733.32
EARNED SURPLUS, APRIL 30, 1949:		<u>215,127.37</u>
Appropriated for retirement of preferred stock.....	\$ 652,572.63	
Unappropriated.....		6,176,859.77
		<u><u>\$6,829,432.40</u></u>

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SEVENTEEN WEEKS ENDED APRIL 30, 1949

SALES.....	\$50,307,556.27
COST OF SALES.....	42,162,132.46
GROSS PROFIT FROM SALES.....	<u>\$ 8,145,423.81</u>
OPERATING EXPENSES:	
Maintenance and repairs.....	\$ 171,711.43
Depreciation of equipment and buildings and amortization of improvements.....	224,772.00
Taxes, other than taxes on income.....	160,541.87
Rents (including real estate taxes).....	262,338.80
Store wages, operating, general and administrative expenses.....	5,851,996.29
Total operating expenses.....	<u>6,671,360.39</u>
PROFIT FROM OPERATIONS.....	<u>\$ 1,474,063.42</u>
OTHER INCOME AND (CHARGES):	
Discounts earned.....	\$ 262,179.81
Rents received.....	21,900.23
(Loss) on sale of fixed assets.....	(3,183.19)
Miscellaneous income.....	6,124.62
Net other income.....	<u>287,021.47</u>
PROFIT BEFORE INTEREST EXPENSE.....	<u>\$ 1,761,084.89</u>
INTEREST EXPENSE:	
Interest on debentures.....	\$ 32,943.75
Interest, other.....	26,901.43
Debenture discount and premium.....	1,016.25
Total interest expense.....	<u>60,861.43</u>
NET INCOME BEFORE FEDERAL AND STATE TAXES ON INCOME.....	<u>\$ 1,700,223.46</u>
FEDERAL AND STATE TAXES ON INCOME:	
Federal income tax.....	\$ 626,688.85
State income taxes.....	40,905.19
Total Federal and State taxes on income.....	<u>667,594.04</u>
NET INCOME.....	<u><u>\$ 1,032,629.42</u></u>

NOTE: In accordance with the terms of the issuance of the cumulative preferred stock, \$77,447.20 of the foregoing net earnings was set aside during the seventeen weeks ended April 30, 1949 for the purchase and retirement of such stock.

OFFICERS

Samuel Friedland.....	<i>Chairman of the Board</i>	Louis Stein.....	<i>Vice-President and General Counsel</i>
George Friedland.....	<i>President</i>	Myer M. Gordon.....	<i>Treasurer</i>
Myer B. Marcus.....	<i>Vice-President</i>	B. F. Lieber.....	<i>Secretary</i>
Arthur Rosenberg.....	<i>Vice-President</i>	Joseph Rash.....	<i>Assistant Secretary</i>
Herman Silver.....	<i>Vice-President</i>	Samuel Forman.....	<i>Assistant Secretary</i>

DIRECTORS

George Friedland.....	Philadelphia, Pa.	James P. Magill.....	Philadelphia, Pa.
Samuel Friedland.....	Philadelphia, Pa.	Myer B. Marcus.....	Philadelphia, Pa.
Myer M. Gordon.....	Philadelphia, Pa.	Arthur Rosenberg.....	Philadelphia, Pa.
Hess Kline.....	Philadelphia, Pa.	Harold W. Scott.....	Philadelphia, Pa.
	Louis Stein.....	Union City, N. J.	

Transfer Agent

Registrar & Transfer Company
2 Rector Street, New York, N. Y.
15 Exchange Place, Jersey City, N. J.

Registrar

Bank of the Manhattan Company
40 Wall Street, New York, N. Y.

EXECUTIVE OFFICES

2223 East Allegheny Avenue
Philadelphia 34, Pa.

The Common Stock Is Fully Listed on the New York Stock Exchange.

LAVENTHOL, KREKSTEIN & CO.

Certified Public Accountants

1528 WALNUT STREET
PHILADELPHIA 2

NEW YORK
PHILADELPHIA
HARRISBURG
WILKES-BARRE

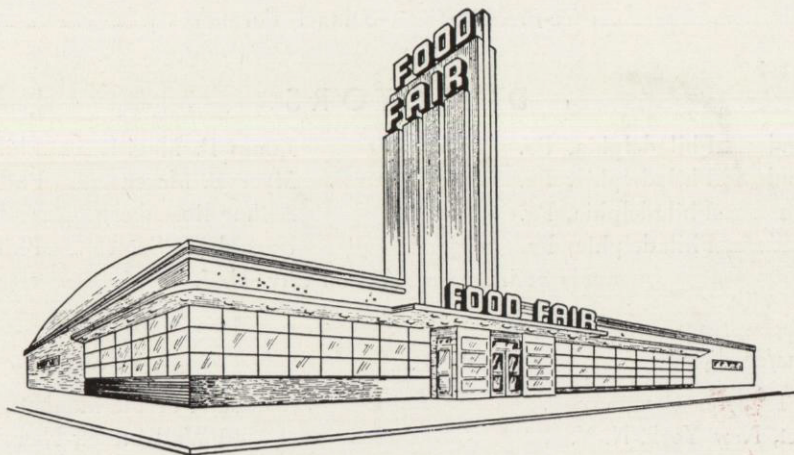
Officers and Directors,
Food Fair Stores, Inc.,

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc., and its wholly owned subsidiary companies at April 30, 1949, and the consolidated statements of earnings and surplus for the seventeen weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 30, 1949, and the consolidated results of their operations for the seventeen weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
June 20, 1949



110 Food Fair Supermarkets SERVING MILLIONS IN SEVEN STATES

LOCATED IN THESE PRINCIPAL CITIES

NEW YORK

Brooklyn
Forest Hills
Astoria
Jackson Heights
Fresh Meadows

NEW JERSEY

Passaic (3)
Montclair
Paterson
West New York (2)
Haledon
New Brunswick (2)
Union City
Elizabeth (4)
Perth Amboy
Morristown
Irvington (2)
Englewood
Plainfield
Hackensack
Fair Lawn

Jersey City (3)

Newark (3)
Teaneck
Belleville
Collingswood
Camden
Trenton (3)
Atlantic City (2)
East Orange
Nutley

DELAWARE

Wilmington (2)

MARYLAND

Baltimore (13)
Catonsville
Mt. Rainier

VIRGINIA

Alexandria

PENNSYLVANIA

Philadelphia (13)
Harrisburg (3)
York (2)
Columbia
Lebanon (2)
Lemoyne
Lancaster (3)
Allentown (3)
Reading (3)
West Reading
Bethlehem (2)
Easton
Chester (2)
Bryn Mawr
Coatesville
Jenkintown
Norristown

FLORIDA

Miami (5)
Coral Gables